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## CENTRAL INTELLIGENCE GROUP

# REVIEW OF THE SOVIET, BRITISH, AND FRENCH PROGRAMS WITH RESPECT TO GERMANY

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REVIEW OF THE SOVIET, BRITISH, AND FRENCH  
PROGRAMS WITH RESPECT TO GERMANY \*

SUMMARY

In Germany the conduct of the occupying Powers has been conditioned not only by their common interest in preventing a recurrence of the events of 1919-1939, but also by their own pressing economic needs, by ideological conflict, and by world-wide tension between the East and West. Germany is the principal theatre of this contest: there the stakes are highest, and there the antagonists are determined to hold their ground at least, if they cannot win a satisfactory over-all settlement. In these circumstances it has so far proved impossible to accomplish the economic and administrative unification of Germany agreed upon at Potsdam. In default of unification, the Soviet, British, and French authorities have pursued, in their respective Zones, policies indicative of the divergent objectives of those Powers with respect to Germany.

The ultimate, over-all objective of the USSR is the extension of Soviet hegemony over the whole of Germany.\*\* Great Britain's purpose is to prevent such a development and to create instead a re-united Germany moderately socialist in character, incapable of military aggression, but capable of supporting itself and of making its needed contribution to the European economy. France, obsessed by fear of German aggression, would reduce Germany to political as well as military impotence, but would preserve the German industrial potential, under strict control, for the benefit of the European economy.

The divergent positions of the three Powers on specific issues are as follows:

Frontiers. The USSR insists that the Oder-Neisse frontier with Poland be recognized as a fait accompli. Britain would support a demand for its eastward revision on economic grounds. France is not committed to the Oder Neisse line, but has no objection to it in principle; on that issue she would bargain for support of her own views regarding the Saar, Rhineland, and Ruhr.

\* This report does not reflect developments at the Council of Foreign Ministers.

The intelligence agencies of the War and Navy Departments and of the Army Air Forces have concurred in this report.

Comments by the Department of State are contained in Enclosure D hereto.

\*\* See Enclosure D for State Department comments.

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Reparations from Current Production. The USSR has taken reparations from the current production of the Soviet Zone and France has, less frankly and extensively, engaged in similar exploitation of her Zone. Great Britain is opposed to the practice, as an indirect drain on the British economy.

Production of War Materials. The USSR has continued the production of war materials in her Zone, in apparent violation of the provisions of the Potsdam Agreement regarding demilitarization. Great Britain and France condemn the practice.

Economic Unification. Great Britain insists upon the economic unification of Germany contemplated at Potsdam. The USSR and France have preferred to act unilaterally in their respective Zones, but the USSR now has reason to desire unification also in order to share in the Ruhr and Western Zone production. France insists upon the prior concession of French economic control of the Saar and international economic control of the Ruhr.

Political Parties and Elections. Each of the three Powers favors in its Zone the German political party most suitable for the accomplishment of its own political purposes: thus the USSR supports the Communists, Great Britain the Social Democrats, and France the Christian parties. This support has been ruthless in the Soviet Zone, while elections in the British Zone have been substantially free and equitable.

Political Unification. The USSR seeks a highly centralized national administration of a type susceptible to control by a pro-Soviet group. Great Britain favors a federal union capable of providing an effective central administration without destroying the local autonomy of the Laender. France desires the maximum obtainable degree of decentralization, preferably a loose confederation of small states.

The USSR is now disposed to insist upon the early unification of Germany. Great Britain also seeks unification; the issues between them relate only to the terms on which it is to be accomplished. Since a failure to reach agreement would entail the continued partition of Germany for an indefinite period, with implications of irreconcilable conflict between the East and West, Great Britain, as would-be mediator between the US and the USSR, will strive to find a generally acceptable compromise. Great Britain is under no compulsion, however, to submit to unacceptable Soviet terms. Even in her present economic difficulties, she can accept partition, if need be, relying upon US support and the unification of the Western Zones. On the other hand, the USSR's need for economic unification and her readiness to exploit political unification are such that she might well accept much textual compromise in

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order to gain opportunities for further penetration, without foregoing her ultimate objective. It is probable, therefore, that after exhausting debate a compromise consistent with the British proposals in all essentials may be achieved.

Further discussion of the situation in the three Zones and of the objectives and policies of the three Powers is contained in Enclosures A, B, and C.

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The minimum Soviet objective with respect to Germany is to neutralize that country as a potentially hostile neighbor; the maximum is to extend effective Soviet political and economic control over the whole country, reducing it to the status of a satellite state. In either case, an essential preliminary is the consolidation of Soviet control in the Soviet Zone, free of quadripartite interference. A subsequent step toward the maximum objective would be the establishment of that type of highly centralized "anti-fascist" national administration by means of which indirect Soviet control could eventually be extended throughout the Western Zones.

Concurrently with these long-range political purposes, the Soviet Union has sought to obtain in Germany immediate relief for the pressing requirements of its own economy and support for its program of industrial and scientific development.

FRONTIERS.

Although the final delimitation of the western frontier of Poland is expressly reserved until the future peace settlement, the USSR demands that the Oder-Neisse line be recognized as a fait accompli. This line, ostensibly drawn to compensate Poland for the cession of territory to the USSR, is also designed to render both Poland and Germany subservient to the Soviet Union; Poland through fear of an eventual German attempt to recover the lost provinces; Germany through the loss of essential resources and a consequent dependence on the East for economic support, and also through the hope of eventual Soviet support for frontier revision. The USSR is capable of imposing a revision at Poland's expense if ever it would serve to clinch Soviet domination of Germany, but would never consent to a substantial revision which appeared as a victory for the Western Powers.

The USSR will, moreover, oppose any radical revision of the German frontier on the west comparable to that which she has effected in the east. By defending the existing frontier she can pose as the champion of German interests, obscuring her role in the east and increasing her influence in Germany. Moreover, she hopes eventually to extend her domination to the western limits of Germany and is therefore opposed to their contraction.

REPARATIONS, DEMILITARIZATION, AND CURRENT PRODUCTION.

Reparations from the Soviet Zone. The Potsdam Agreement provided that Soviet reparations claims should be met by removal from the

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Soviet Zone of productive capacity in excess of that required to meet approved German peacetime needs. Substantial progress has been made in the removal of industrial facilities (and of skilled industrial manpower as well). The consequent interruption of production, however, and the deterioration of facilities reserved for removal and in transit, have caused the USSR to seek more immediate benefits from the current production of plants retained in the Soviet Zone, despite objections to the principle of taking reparations from current production.

The Sowjetische Industrie A.G. With a view to both immediate benefits and to the perpetuation of Soviet economic domination of eastern Germany, the USSR has obtained control of some 200 key industrial establishments producing the greater portion of the current industrial output in the Soviet Zone (for example, some 85 percent of current metallurgical production), largely on the basis of their liability to removal as reparations. To control these industries the USSR has established a gigantic trust, the Sowjetische Industrie A.G. The USSR thus seeks to evade the provisions of the Potsdam Agreement requiring that the proceeds of German exports be made available to pay for necessary German imports and prohibiting German production of war material, on the ground that the output of Soviet-owned plants in Germany is to be considered as Soviet rather than German production and is therefore exempt from the provisions of the Agreement.

Nationalization. In its Zone, the USSR has caused the important industries not included in the Sowjetische Industrie A.G. to be nationalized, thus bringing them equally under Soviet operational control.

Demilitarization. A significant proportion of the Soviet take from German current production is in the form of war materials. It is well established that war plants and research facilities in the Soviet Zone have been continued in operation, producing such prohibited items as guided missiles, jet-propelled aircraft, tank treads and armor plate, optical instruments, synthetic fuel, and synthetic rubber.

Industrial Production. In its desire to obtain immediate benefits from German production, the USSR has pressed vigorously the industrial rehabilitation in the Soviet Zone. The level of production is still well below former standards, but, despite the disruption occasioned by plant removals, significant progress has been made. The prompt resumption of operations was initially encouraging to the German workers, but since most production is for Soviet use without credit toward imports, little improvement results in the German economy. An acute shortage of consumers' goods exists in the Soviet Zone. Moreover, production for Soviet use has begun to suffer for lack of coal and iron from the Western Zones. It is partly on this account that the USSR now shows readiness to consider a reintegration of the German economy.

Agricultural Production. If the Soviet Zone needs coal and iron, the Western Zones, particularly the British, have long felt

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acutely the lack of food supplies normally received from eastern Germany. A reintegration of the German economy, however, would not now satisfy this need. In addition to considerable Soviet consumption or removal of agricultural produce, shortages of farm equipment, fertilizers, and livestock, and the disorganization resulting from Soviet division of large estates among the peasants for political effect, have resulted in a decline in agricultural production. There is hunger in the Soviet Zone itself; it can make no significant immediate contribution toward feeding western Germany.

Reparations from the Western Zones. The Potsdam Agreement provided that the USSR should also receive a share of the industrial plants removed from the Western Zones, partly in exchange for certain products of the Soviet Zone and partly on reparations account. Such deliveries have virtually ceased because of the Soviet failure to deliver goods in exchange, the slowness of the British plant removal program, and the refusal of the United States to make further deliveries pending reintegration of the German economy. The Soviet claim to reparations from the Western Zones remains to be reckoned with, however. As indicated by developments in the Soviet Zone, this claim may be exploited, at an opportune time, as a means of acquiring ownership of industrial properties in western Germany.

#### DENAZIFICATION AND POLITICAL DEVELOPMENT.

Denazification. In the Soviet Zone the political criterion has not been former Nazi Party activity or opposition thereto, but present support of or opposition to the Soviet program. Former Nazis who could prove themselves useful in the accomplishment of Soviet political or economic purposes have been accepted without discrimination, while irreconcilable opponents of the Soviet program, whatever their political history, have been classified as "reactionaries". Obviously the most expedient course for a compromised Nazi has been to become an ardent supporter of the Soviet program. Recently, unverified reports have indicated that the Soviet military authorities have been making a belated effort to clean house before questions are raised at the Moscow Conference.

Zone Administration. The Soviet Zone is controlled by a Soviet Military Administration which operates through a "Central Administration" composed of Germans and similar in organization and functions to the former national ministries. Thus, in its zonal control organization the USSR has forehandedly prepared a selected German bureaucracy capable of manning at once any centralized German national administration that may be established.

Political Parties in the Soviet Zone. As elsewhere, the USSR sought to compensate for the numerical weakness of the Communist Party by the formation of a "Unity Front" under Communist leadership. The

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Communists, however, proved incapable of controlling the Social Democratic, Christian Democratic, and Liberal Democratic Parties through their nominal participation in this Front. The Soviets thereupon compelled the Social Democratic Party to merge with the Communists, as fellow Marxists, to form the Socialist Unity Party (SED). In the subsequent local elections the Christian and Liberal Democrats were subjected to every discrimination short of outright suppression, while the SED was afforded every facility. Even so, the SED was able to win by only slight pluralities. These, however, with continuing Soviet support, are sufficient to give it control of the machinery of local German government in the Soviet Zone.

The Berlin Election. An indication as to the actual popular strength of these parties in eastern Germany is to be found in the election results in Berlin. There, under the protection of the Western Powers, the Social Democrats maintained their independence and sharply defeated the SED, even within the Soviet Sector. The relative standing of the four parties was, specifically:

	<u>Soviet Sector</u>	<u>Over-all</u>
Social Democrats	42.6%	47.9%
Christian Democrats	18.3%	21.7%
SED	29.5%	19.3%
Liberal Democrats	7.4%	9.2%

Any conjecture regarding the actual popularity of these parties in the Soviet Zone must take into account the fact that in rural areas the strength of the Social Democrats would normally be less than in Berlin, and that of the Christian Democrats greater. It is evident, however, that in a free election the SED, reduced to its Communist element, would be overwhelmed.

The FDGB. The Soviet Union is well aware of the value of trade union control as a political weapon supplementary to party action (as, for example, in the relationship between the Communist Party and the General Confederation of Labor (CGT) in France). For that reason the USSR has promoted the formation of a "Free German Trade Union League" (FDGB) actually controlled by members of the SED. An immediate return on this investment is that the FDGB's extensive influence in the Berlin civil service limits the adverse effect of the Social Democratic victory in the Berlin election. Ultimately the FDGB may prove a better means than the SED for penetration of the Western Zones.

Constitution Drafting. The Soviet authorities have now requested all political parties to join in drafting constitutions for each Land in the Soviet Zone, but it is evident that the Communist leadership of the SED will have the determining voice in this process.

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Meanwhile the SED has published a proposed "national" constitution, which, despite lip service to democratic principles, would serve to permit a well-entrenched minority to obstruct the administration of the country through the machinery of a highly centralized national administration.\* The SED calls for a national referendum to determine the political structure of the future German state, and proposes that the central administration be set up by the representatives of national parties and unions rather than of the Laender. It is evident why the SED (and the USSR) should be opposed to national action on a Laender basis, and how, on the basis proposed, the SED could expect to control both the referendum and the actual establishment of central administrative agencies designed to facilitate its accession to and perpetuation in power and to extend throughout Germany its control over local as well as national affairs.

#### ACCOMPLISHMENTS AND PROSPECTS.

The USSR is now well-entrenched in the Soviet Zone. In the Sowjetische Industrie A.G., the FDGB, and the SED it has instruments designed to perpetuate its dominant influence. Although the SED manifestly does not represent the majority popular will, it is presumably able to maintain its position with Soviet support.

The USSR now is ready and has need to extend its program from a zonal to a national basis. In the bureaucracy of the Central Administration, the SED-Communist national committee recently formed in Berlin, and the FDGB it has at hand the means of extending its influence westward. It even has a draft national constitution of ostensibly German origin ready for use as the basis of discussion.

The highly centralized administration envisaged in the draft constitution represents an optimum condition for Soviet purposes, but not an essential immediate requirement. Soviet preparedness in terms of personnel, organization, and planning is such that the USSR could accept much textual compromise without loss of real advantages ensuing from unification. Before compromising, however, the USSR would make a vigorous demonstration of its advocacy of centralization, for the record, realizing that unification has a strong appeal to German nationalism and that decentralization can be identified historically with foreign interference and national dismemberment. As soon as a compromise had been reached, on whatever terms, the USSR would press vigorously its penetration of the Western Zones, working toward eventual centralization under a Soviet-dominated regime in Berlin.

\* See Enclosure D for State Department comment.

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~~SECRET~~ENCLOSURE BTHE BRITISH PROGRAMBRITISH OBJECTIVES.

The basic British objective is a defensive one, to avert the danger to the United Kingdom inherent in the control of Germany by a strong and aggressive military power, whether through a resurgence of German nationalism or through an extension of the hegemony of the Soviet Union.

A positive aspect of this policy is a desire for the rehabilitation of Germany as a respectable member of the European community, able to support itself and to make its needed contribution to the European economy, prosperous enough to obviate dangerous discontent, but not strong enough to act aggressively (or even to compete seriously with Great Britain in international trade). The British Labor Government not unnaturally regards a socialistic program as most favorable for the economic and social rehabilitation of Germany, and the Social Democratic Party as the most suitable instrument for its accomplishment. It regards a federal political structure as most suitable to provide the necessary safeguards against the concentration of political power in hostile hands.

In view of Great Britain's own straitened financial position, an immediate and urgent British objective is to reduce so far as practicable the burden of her occupational commitments in Germany.

FRONTIERS.

Great Britain desires no particular readjustment of the German frontiers except possibly the recovery for Germany of some territory now occupied by Poland east of the Oder-Neisse line. There the primary consideration is that the recovery of agricultural areas in the east might contribute toward alleviation of the critical food supply situation in the British Zone. The British have indicated that they would support a proposal for eastward adjustment of the line in so far as it could be justified on economic grounds. By implication, they would not take the initiative in any political argument for adjustment.

REPARATIONS, DEMILITARIZATION, AND ECONOMIC REHABILITATION.

Reparations. In contrast with the Soviets, the British derive no immediate economic benefit from the occupation of their Zone. On the contrary, they are compelled to provide occupation costs amounting to \$340,000,000 a year from their strained resources, largely from their dwindling and vital supply of US dollars. Consequently their concern is to reduce occupation costs by making their Zone self-supporting

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rather than to obtain reparations deliveries at the possible cost of preventing or retarding German economic recovery. For the same reason they are opposed to the practice of others in taking reparations from current production. They have not refused to other claimants the delivery of industrial plants removable as reparations, as has the United States for the time being, but they have been slow in meeting such commitments.

Demilitarization. Although the British have been dismantling war plants for reparations deliveries, many remain intact. These are, however, idle. Criticism of the British demilitarization program refers, not to any continuation of the production of war materials, as in the Soviet Zone, but to slowness in the elimination of war industrial potential and in the demobilization of German military forces.

Nationalization. Eventual nationalization of heavy industry in the British Zone is planned. For the time being, however, the British, in their desire to bring about the resumption of production with the least disruption and delay, have altered little the existing organization of industry. The great German cartels have not been effectively broken up, presumably because their continued operation would facilitate both an early resumption of production and eventual nationalization. Because of the US/UK Zonal merger and increased British economic dependence upon the US, plans for nationalization have had to be indefinitely postponed.

Industrial Production. Industrial recovery in the British Zone has been slow, partly on account of the particularly heavy war damage there, partly on account of the difficulties inherent in operating, on a zonal basis, an industrial establishment which constituted the heart of the over-all German (indeed European) economy, and partly on account of the stringent shortage of food supplies to sustain the industrial population. Considerable progress, however, has been made. The industrial production of the Ruhr has reached 40 percent of its prewar level.

Food Supply. Agricultural production in the British Zone is normally inadequate to meet its requirements. Great Britain has had to provide foodstuffs by purchase in a strained world market, at great expense in US dollars. Higher rations are prerequisite to the increased industrial production required to provide the exports necessary to pay for essential imports of foodstuffs and raw materials. Until this cycle has been completed, Great Britain must continue to subsidize heavily the economy of the British Zone.

Economic Unification. The British look to that economic unification of Germany contemplated at Potsdam, but as yet unrealized, for relief from their present predicament. Economic union with the US Zone

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may alleviate in some degree adverse conditions in the British Zone, but it cannot provide an ultimate solution of the problem. To the extent that the British hope, through general unification, to obtain necessary food supplies from eastern Germany, they are liable to disappointment (see Enclosure A). Nevertheless, one of the bases of British policy with respect to Germany is the conviction that economic unification is indispensable.

#### DENAZIFICATION AND POLITICAL DEVELOPMENT.

Denazification. In their desire to avoid disrupting the German economic organization and civil service in their Zone, the British have been disinclined to proceed against all persons associated with the Nazi Party. Instead they have relied upon good intelligence to detect those actually dangerous to the conduct of the occupation and upon timely action to deal with individuals thus identified.

Zone Administration. Control in the British Zone is exercised by a Civil Administrator acting through an extensive British civil service superimposed on a German bureaucracy. This arrangement has proved so cumbersome and inefficient that the Control Office has been subjected to a Parliamentary investigation of charges of waste and ineptitude. Since few German officials can act without close British supervision and prior approval, the system prevents the development of German responsibility and initiative. It tends, however, to relieve German political leaders of future responsibility for present adverse conditions in the British Zone.

Political Parties and Elections. The Social Democrats and Christian Democrats are the principal parties in the British Zone. The Communists represent no more than 8 percent of the electorate; the various right-of-center elements are divided and uncoordinated. The Social and Christian Democratic Parties are about evenly matched in popular support, but the complex electoral procedures established by the British have operated to the advantage of the stronger party in any given locality. The Social Democratic Party has enjoyed certain favor in consequence of its political affinity with the Labor Party in Great Britain, signalized by the visit to London of its leader, Kurt Schumacher.

Elections have been held at the Kreis (county) and municipal level and German local governments have been installed on the basis of the returns, but under strict British supervision. At the next level three Laender (Nordrhein-Westfalen, Niedersachsen, and Schleswig-Holstein) and a city-state (Hamburg) have been established, but constitutions have not yet been devised for them, nor have elections been held.

Federal Union. The British favor a national constitution for Germany similar, in its federal features, to that of the United States, with the Laender to be equally represented in one house of a bicameral

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legislature and with all powers not expressly delegated to the central government reserved to the Laender. Therein they occupy a middle ground between the extreme centralization desired by the Soviets and the extreme decentralization desired by the French. The British program of economic unification and nationalization of industry requires an effective central administration. They hope, through a federal political system, to avert the concomitant dangers of an extension of Soviet domination or a resurgence of aggressive German nationalism.

#### ACCOMPLISHMENTS AND PROSPECTS.

The economic rehabilitation of the British Zone has been retarded by peculiarly adverse conditions; its political development has been slow, but favorable toward a Western orientation. In present circumstances the costs of occupation are a grievous burden upon the strained resources of the United Kingdom, one which the British are eager to reduce. Their hope for such reduction lies in the early restoration of production for export and in the economic unification of Germany, for which they will press insistently, as well as in greater US contributions to the bi-zonal merger. Recognizing that economic unification requires an effective central administration, but fearing the consequences of a high degree of political centralization, they will also urge the adoption of a federal political structure for Germany.

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~~SECRET~~ENCLOSURE CTHE FRENCH PROGRAMFRENCH OBJECTIVES.

The basis of French policy with respect to Germany is an historical dread of German aggression, an obsession which blinds France to other contemporary considerations. Her sense of present weakness accentuates this fear and also produces a compensatory desire to assert her nominal status as a Great Power.

The specific objectives of French policy, in response to these influences, are:

To strengthen France and weaken Germany by gaining exclusive economic control of the Saar and by obtaining international economic control of the Ruhr.

To render the French frontier more secure by obtaining some form of international control over the Rhineland.

To obtain the maximum possible degree of political decentralization, as a safeguard against the revival of a strong and aggressive German state.

To guarantee French receipt of German coal and to insure that only strictly limited amounts of steel will be available to German production.

FRONTIERS.

France, as in 1919-1924, would prefer that the Saar, the Rhineland, and the Ruhr be separated from Germany. She demands the political separation of the Saar, its economic union with France, and the establishment of effective international economic control over the Ruhr.

France has no objection in principle to the establishment of the Polish-German frontier at the Oder-Neisse line, but has reserved her concurrence as a bargaining point in relation to the issue of Germany's western frontier.

REPARATIONS AND CURRENT PRODUCTION.

Reparations. Although France has not endorsed the Soviet position on reparations from current production, she has, like the USSR, exploited her exclusive control of her Zone to obtain immediate economic benefits without much regard for reparations and level of industry agreements. This exploitation has taken the form of both unilateral removals

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and French penetration of the Zone's economy through the acquisition of German cartel holdings and by other means. A form of reparations from current production is obtained from the Zone's excess of exports over imports.

Industrial Production. Industrial rehabilitation elsewhere in the Zone has been subordinated to the rehabilitation of the Saar. By arbitrary transfers of manpower to that area and other preferential measures, including special rations, the French have raised the level of Saar production to 50 percent of prewar capacity. This effort, together with the low level of imports permitted, has resulted in a "favorable" trade balance for the Zone (to the advantage of the French economy rather than that of the Zone).

Food Supply. Agricultural production in the Zone is normally inadequate to meet food requirements. The French customarily maintain rations at a dangerously low level, and there have been frequent food crises.

#### DENAZIFICATION AND POLITICAL DEVELOPMENT.

Denazification. The French, regarding all Germans as guilty, whether or not they were Nazis, have been disposed to proceed against only those who were conspicuous leaders and those individually identified as war criminals. More recently, like the USSR, France has undertaken to broaden her denazification program.

Zone Administration. The French administrative officials enforce strict regulations through a closely supervised German bureaucracy. Among the French some differences have been observed between civil servants who wish to develop a liberal Germany friendly toward France and Army officers who enjoy the role of conquerors.

Political Parties. The French, as a consequence of their opposition to any reunification of Germany, have consistently hindered the development of nation-wide political parties. Although elements corresponding to the four basic German political groups (Communist, Socialist, Christian, and Liberal) exist in the French Zone, they have not been allowed to coalesce with corresponding parties in other areas. The French have favored the Christian parties, which have some correspondence to the MRP in France and are, among German political groups, most likely to support French policy. They have, in addition, given more or less covert encouragement to separatist elements. The strength of the Communist Party in France has been without apparent influence in the Zone, where, except for the individual acts of a few French officials, the Communists have received no favors.

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In the Zone, exclusive of the Saar, the Christian parties won over 65 percent of the vote in the Kreis (county) elections, the only ones held so far. Although this figure may be discounted somewhat, in view of hindrances imposed on other parties, it reveals that the Christian parties are predominant in the Zone.

In the Saar the Communists are the only open opponents of the French plan for separation from Germany and economic union with France.

Decentralization. For two and a half centuries (1630-1870) the cardinal principle of French policy was to prevent the unification of Germany. Such is their fear of German aggression, after the events of 1870, 1914, and 1940, that, however weak Germany may be and whatever other guarantees are given, the French retain, as an obsession, a desire to reduce that country to the status of a loose confederation of small states.

#### ACCOMPLISHMENTS AND PROSPECTS.

France has, by unilateral action, virtually accomplished the separation of the Saar from Germany and its integration into the French economy. She has not been able to obtain acceptance of her views on the Ruhr and Rhineland or on extreme decentralization. She is presumably willing to accept any compromise which assures her of direct control of the Saar, effective international control of the Ruhr, a satisfactory supply of German coal, a reasonable degree of political decentralization, and convincing guarantees against future German aggression.

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DEPARTMENT OF STATE

Reference: Summary: Page 1, end of first sentence in second paragraph:

"This definition is so general it cannot be used as a standard for estimating and evaluating Soviet policy toward Germany. It minimizes or neglects the alternative policies which the USSR may pursue in Germany. For example:

"The USSR may prefer a division and a corresponding permanent weakening of Germany rather than 'highly centralized national administration,' which might work in favor of anti-Soviet groups (especially the Social Democratic Party);

"The USSR may sacrifice political advantages in Germany to tangible economic benefits.

"In both cases, the objective of established Soviet hegemony over the whole of Germany would be superseded or replaced by the objective of promoting the vital national interests of the USSR."

Reference: Enclosure A: Page 8, end of second sentence on Constitution Drafting:

"Whatever the intention of the constitutional draft may have been, its text does not bear out this interpretation. The SED constitution would grant almost unlimited power to the parliamentary majority -- however it may be composed. Under present conditions and for the foreseeable future, this majority would be anti-Soviet."

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